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C O N F I D E N T I A L SECTION 01 OF 02 MUSCAT 000441

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TAGS: [PREL](#) [ECON](#) [ETRD](#) [IR](#) [MU](#)  
SUBJECT: IRANIAN FOREIGN MINISTER VISITS MUSCAT

REF: MUSCAT 436

Classified By: Ambassador Gary A. Grappo for Reasons 1.4 (b, d)

SUMMARY

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11. (C) Iranian Foreign Minister Manouchehr Mottaki visited Muscat from May 1-2 to attend the Oman-Iran Joint Economic Committee. While in Oman, he met briefly with Minister Responsible for Foreign Affairs Yusef bin Alawi (reftel) and was received by Sultan Qaboos, who reportedly extended an invitation for the Iranian President to visit Oman. Despite pronouncements extolling economic relations between Oman and Iran, trade between the two countries remains lackluster. Contacts cite numerous frustrations in conducting business with Iranian entities, which will limit any push by Iran to strengthen commercial ties with Oman. End Summary.

LOTS OF TALK, BUT NO DEALS  
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12. (U) Iranian FM Mottaki arrived in Muscat on May 1 to lead Iran's delegation of 34 government officials and business representatives to the 11th session of the Oman-Iran Joint Economic Committee (JEC). Omani Minister of Commerce and Industry Maqbool bin Ali Sultan chaired the Omani side of the two-day meeting. According to local media, the JEC discussed establishing joint projects in the areas of petrochemicals, oil and gas, as well as the possibility of forming a bilateral trade and investment company to facilitate commerce between Oman's Musandam governorate and the Hormozgan district of Iran. Discussions reportedly also covered cooperation in the mining industry, the role of the private sector in efforts to increase trade, and the need for direct flights between Tehran and Muscat. The JEC meeting concluded with the signing of an agreement "on the exchange of official diplomatic visas." As with most of the previous JEC meetings, no firm business deals or substantive trade agreements were announced.

IRAN WANTS MORE TRADE, EASIER VISAS  
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13. (U) Talking to journalists at the Iranian Embassy in Muscat, Mottaki hailed Oman-Iran relations and described them as "deep-rooted, cordial and strong." He noted, however, that economic ties between the two countries were "not at par" with the "excellent" political relationship, and stated that work was needed to "ease the issuing of Omani visas for Iranian businessmen and tourists." Mottaki also voiced Iran's support for stability in Iraq and the aspirations of GCC states to develop peaceful nuclear power programs. In addition to meeting with Minister Responsible for Foreign Affairs Yusef bin Alawi (reftel), Mottaki was received by Sultan Qaboos on May 2 before departing Oman (septel). Mottaki told reporters following the meeting that the Sultan had handed him an invitation for the Iranian President to visit Oman.

COMMENT

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14. (C) Economic and commercial relations between Oman and Iran are similar to other aspects of their bilateral relationship -- heavy on show and nice words, but short on substance. Despite their close proximity, trade between Oman and Iran is far from robust and remains centered on the exchange of Iranian livestock, and some agricultural products, for consumer goods mostly re-exported from Oman (and often trucked in from the UAE). While the Omani government does not publish figures on total trade between Iran and Oman, in November 2006 the Chairman of the Oman Chamber of Commerce and Industry (OCCI) claimed that total exports from Oman to Iran in 2005 were valued at 92.8 million Omani rials (USD 241.3 million), while total imports from Iran amounted to 21.7 million Omani rials (USD 56.2 million). (Note: The value of total imports to Oman from neighboring UAE in 2005 was approximately USD 2.34 billion. End note.) Both figures, he pointed out, had declined from the previous year. While in Muscat, Mottaki estimated that the volume of trade between Iran and Oman amounted to about USD 200 million -- a figure, he said, that "has to be raised, given existing capacities."

15. (C) In line with these relatively weak trade estimates, post contacts report that Iran has a "poor reputation" in Oman for doing business and that negotiating deals with Iranian entities can be "very difficult." These contacts complain that many Iranian commercial interlocutors speak little Arabic or English, are relatively unsophisticated in the ways of international business, are slow to respond to requests for specific information, and frequently fail to

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follow through on their promises. An Oman Oil Company employee charged with identifying foreign business and investment opportunities told Pol-Econ Chief that his firm had been trying to finalize an agreement with Iran for the last five years on a proposed oil and gas development project, but that the Iranians seemed "schizophrenic" about the deal. "One moment they are very eager to conclude negotiations, and then we don't hear anything of substance from them for months!" he griped. Such negative perceptions will limit any Iranian campaign to strengthen trade and commercial ties with Oman. End Comment.  
GRAPPO